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THE EFFECT OF FEMALE DIRECTORS ON CAPITAL STRUCTURE

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**MASTER OF SCIENCE (INTERNATIONAL ACCOUNTING)
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THE EFFECT OF FEMALE DIRECTORS ON CAPITAL STRUCTURE

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**Thesis Submitted to
Othman Yeop Abdullah Graduate School of Business,
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In Partial Fulfillment of the Requirement for the Master of Sciences
(International Accounting)**



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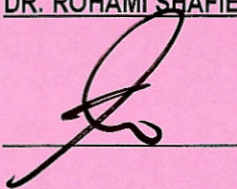
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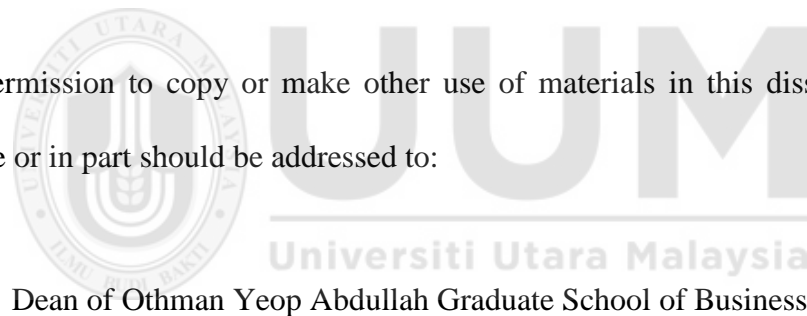
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ABSTRACT

This study examines the relationships between female directors proxies by number of women sits on board, female directors expertise and independent female directors and capital structure of the 100 largest public listed companies in Malaysia based on market capitalization excluding the financial institutions. In addition, the study utilizes 2016 annual report. Results show approximately 16 percent of female sits on Malaysia board of directors. This study shows that there is still far from expected to achieve 30 percent in year 2017 as announcement of the Malaysian Code on Corporate Governance in 2017. This study has founds positive significant relationships between firm size, tangibility and capital structure. The negative relationships on liquidity are significant, which have strongly influence the firm's capital structure. Then, positive insignificant have been shown by the number of women sits on board, independent female directors, board size, and board composition. Furthermore, female directors expertise, firm age, and investment opportunities have negative insignificant relationship with the firm's capital structure. The study also provides suggestions and recommendations for future research work.

Keywords: Female Directors, Capital Structure, Debt to Assets Ratio, Corporate Governance

ABSTRAK

Kajian ini mengkaji hubungan di antara proksi pengarah wanita melalui bilangan wanita yang menjadi pengarah, kepakaran pengarah wanita dan kebebasan pengarah wanita dan struktur modal bagi 100 syarikat terbesar yang tersenarai di Malaysia berdasarkan pasaran modal tidak termasuk institusi kewangan. Tambahan, kajian ini menggunakan laporan tahunan 2016. Hasil kajian mendapati hampir 16 peratus pengarah perempuan berada dalam posisi pengarah di Malaysia. Kajian ini menunjukkan, masih jauh untuk mencapai 30 peratus bagi tahun 2017 seperti pengumuman Kod Tadbir Urus Korporat Malaysia pada tahun 2017. Kajian ini mendapati hubungan yang positif dan signifikan antara saiz syarikat, ketepatan dan struktur modal. Hubungan yang negatif bagi kecairan syarikat adalah signifikan dan amat mempengaruhi struktur modal syarikat. Seterusnya, hubungan yang positif dan tidak signifikan bagi bilangan wanita yang menjadi pengarah, kebebasan pengarah wanita, saiz lembaga pengarah, dan komposisi lembaga pengarah. Selanjutnya, kepakaran pengarah wanita, umur syarikat, dan peluang pelaburan mempunyai hubungan yang negatif dan tidak signifikan dengan struktur modal syarikat. Kajian ini juga memberi cadangan bagi penyelidikan untuk masa hadapan.

Kata Kunci: Pengarah Wanita, Struktur Modal, Nisbah Hutang kepada Aset, Tadbir Urus Korporat

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Md Shahrul Shafiq Bin Mohd Ali Basha

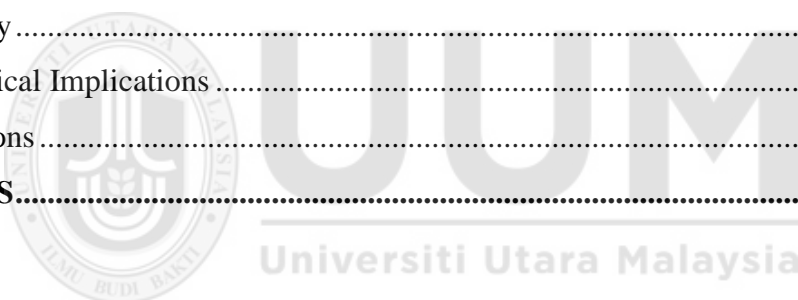
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LIST OF ABBREVIATIONS

Abbreviation	Description of Abbreviation
DBTAST	Debt to Asset Ratio
DBTEQY	Debt to Equity Ratio
PWOM	Total Female Directors
PEXP	Female Directors Expertise
PINDP	Independent Female Directors
FSIZE	Firm Size
BSIZE	Board Size
BCOMP	Board Composition
FAGE	Firm Age
TANG	Tangible Assets
LIQ	Liquidity
MKBV	Market to Book Value
ASEAN	Association of Southeast Asian Nations
U.S	United State of America
UK	United Kingdom
VIF	Variance Inflation Factor
MCCG	Malaysian Code on Corporate Governance
NAWBO	National Association of Women Business Owners
WOF's	Women-Owned Firms
WBOs	Women Business Owners
PLC's	Public Listed Companies

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The gender diversity brings many benefits such as improving business performance, assessing the widest talent pool, bringing up more responsive to the markets and achieving good corporate governance. Gul et al. (2013) suggest that board diversity is adding transparency and accuracy to the financial statement reporting and earning management. Definitely, women participation in leadership will give a great impact on board function as well as firms performance.

Global data at the United State (U.S) shows in less than one generation, women-owned firms (WOF's) have achieved an unprecedented foothold in the U.S economy. National Association of Women Business Owners (NAWBO) stated that firms owned by women are more than 11.6 million which are employing nearly 9 million people, and generating \$1.7 trillion in sales as of 2017. Women-owned firms (51% or more), account for 39% for all privately held firms and contribute 8% of employment and 4.2% of revenue. In fact, one in five firms with revenue of \$1 million or more is owned by women.

Over the last decades, women have brought significant advance in workforce. Internationally, Norway was the starter by setting the quotas for the female involvement in board by 40 percent in the year 2008, followed by Spain, Iceland and France with 40 percent, and Belgium, Italy and Netherlands with 30-33 percent (Ahern & Dittmar, 2012). Malaysia is no exception whereby the Department of Statistics Malaysia stated one of the five companies in Malaysia is owned by women.

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